Financial Statements
(Expressed in thousands of dollars)

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Year ended March 31, 2013

June 27, 2013

Independent Auditor's Report

To the Board of British Columbia Mental Health Society (Riverview) Branch

We have audited the accompanying financial statements of British Columbia Mental Health Society (Riverview) Branch, which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011 and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the financial statements which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011, the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 18 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Financial Position
(Amounts expressed in thousands of dollars)

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Restated – note 16)	April 1, 2011 (Restated – note16)
Financial assets			
Cash and cash equivalents (note 2)	$ 205	$ 400	$ 287
Accounts receivable (note 3)	33,531	58,961	53,510
BC Public Service Long Term Disability Plan (note 6(b))	1,231	-	-
	34,967	59,361	53,797
Liabilities			
Accounts payable and accrued liabilities (note 4)	7,986	23,088	29,113
Deferred research and designated contributions (note 5)	-	254	221
Retirement allowance (note 6(a))	207	874	1,427
BC Public Service Long Term Disability Plan (note 6(b))	-	11,530	-
Deferred capital contributions (note 7)	-	169	1,124
	8,193	35,915	31,885
Net financial assets	$ 26,774	$ 23,446	$ 21,912
Non-financial assets			
Tangible capital assets (note 8)	$ -	$ 169	$ 1,133
Inventories held for use (note 9)	-	121	272
Prepaid expenses	600	3,638	3,116
	600	3,928	4,521
Accumulated operating surplus (note 16(c)(iv))	$ 27,374	$ 27,374	$ 26,433

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(j))	2013	2012 (Restated – note 16)
Revenues:			
Provincial Health Services Authority contributions	$ 13,631	$ 11,809	$ 70,923
Medical Services Plan	2,707	446	2,712
Research and designated contributions (note 5)	1,003	247	525
Other (note 11(a))	7	117	850
Other contributions (note 11(b))	6,510	26	72
Amortization of deferred capital contributions (note 7)	-	-	397
	23,858	12,645	75,479
Expenses (note 11(c)):			
Mental health &substance use	23,823	12,633	74,537
Corporate	35	12	1
	23,858	12,645	74,538
Annual operating surplus	$ -	$ -	$ 941
Accumulated operating surplus, beginning of year (note 16(c)(iv))	27,374	27,374	26,433
Accumulated operating surplus, end of year	$ 27,374	$ 27,374	$ 27,374

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(j))	2013	2012
Annual operating surplus	$ -	$ -	$ 941
Acquisition of tangible capital assets	-	-	(11)
Transfer of tangible capital assets	-	169	569
Amortization of tangible capital assets	-	-	399
Loss on disposal of tangible capital assets	-	-	7
	-	169	1,905
Acquisition of inventories held for use	-	(652)	(961)
Acquisition of prepaid expenses	-	(600)	(653)
Consumption of inventories held for use	-	773	1,112
Use of prepaid expenses	-	3,638	131
	-	3,159	(371)
Increase in net financial assets	-	3,328	1,534
Net financial assets, beginning of year	23,446	23,446	21,912
Net financial assets, end of year	$ 23,446	$ 26,774	$ 23,446

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012 (Restated – note 16)
Cash flows from (used in) operating activities:		
Annual operating surplus	$ -	$ 941
Items not involving cash:		
Amortization of deferred capital contributions	-	(397)
Amortization of tangible capital assets	-	399
Loss on disposal of tangible capital assets	-	7
Retirement allowance expense	1	9
BC Public Service Long Term Disability Plan income	(737)	-
Net change in non-cash operating items (note 13(a))	13,233	(284)
Net change in cash from operating activities	12,497	675
Capital activities:		
Acquisition of tangible capital assets	-	558
Net change in cash from capital activities	-	558
Financing activities:		
Retirement allowance benefits paid	(668)	(562)
BC Public Service Long Term Disability Plan benefits contributions	(12,024)	-
Capital contributions	-	(558)
Net change in cash from financing activities	(12,692)	(1,120)
(Decrease) increase in cash and cash equivalents	(195)	113
Cash and cash equivalents, beginning of year	400	287
Cash and cash equivalents, end of year	$ 205	$ 400

Supplementary cash flow information (note 13)

See accompanying notes to financial statements.

The British Columbia Mental Health Society (Riverview) Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). The Branch is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act*, and as such, is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Emergency and Health Services Commission;

Forensic Psychiatric Services Commission;

Health Shared Services BC; and

Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above-noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

During the year ended March 31, 2013, operations of the Branch ceased. The patients and relevant staff were transferred to regional Health Authorities. Assets and obligations outstanding as at March 31, 2013 will be settled during the year ending March 31, 2014.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board (referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series elections from their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 provided direction for the reporting of restricted contributions whether they are received or receivable by the Branch before or after this regulation was in effect. The accounting treatment of restricted contributions in accordance with Regulation 198/2011 is as described in note 1(f). The impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 is disclosed in note 18.

The Branch has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the financial statements do not include the assets, liabilities, and results of operations of these entities (see note 14).

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable.

1. Significant accounting policies (continued):

(d) Employee future benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

The actuarial gains and losses on employee benefits that are not event-driven, such as retirement benefits, are deferred and amortized over the expected average remaining service period of active covered employees. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2012 - 10 years).

Where there are plan assets, the new discount rate is the rate of return on plan assets. If there are no plan assets, the discount rate is the Province's cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

1. Significant accounting policies (continued):

(e) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives shown below.

Equipment and information systems	3 - 20 years
Leasehold improvements	Lease term to a maximum of 20 years
Software licenses	3 - 5 years
Vehicles	4 - 7 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Branch's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at fair value at the date of contribution. Such fair value becomes the cost of the contributed assets.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

Inventories held for use consist of pharmaceutical, medical, and other materials and supplies.

1. Significant accounting policies (continued):

(f) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Branch is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, if the amounts are considered to be collectable and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service is performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Under the framework described in note 1(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met by the Branch.

Volunteers contribute a significant amount of their time each year to assist the Branch in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

1. Significant accounting policies (continued):

(g) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, the future costs to settle employee benefit obligations, and accrued liabilities resulting from implementing the Mental Health Plan (see note 12).

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(h) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(i) Financial instruments:

Financial instrument classification is determined upon inception. Financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less an amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

Management evaluates contractual obligations for the existence of embedded derivates and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities. Derivatives are initially recorded at fair value on inception. Derivatives are subsequently measured at fair value.

The Branch applied requirements of PS 3450, *Financial Instruments* effective April 1, 2012, in the same period as it adopted PSAS for the first time. Accordingly, PS 3450 was not applied retroactively. Comparative amounts for financial instruments are presented in accordance with the accounting policies applied by the Branch immediately preceding its adoption of PSAS.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2012/2013 Budget approved by the Board of Directors on April 26, 2012. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net financial assets.

2. Cash and cash equivalents:

	2013	2012
Restricted cash	$ -	$ 36
Unrestricted cash and demand deposits	205	364
	$ 205	$ 400

Restricted cash is related to patient trust accounts.

3. Accounts receivable:

	2013	2012
Provincial Health Services Authority	$ 33,362	$ 58,541
Federal and provincial sales taxes	136	101
Research and designated contributions	14	40
Medical Services Plan	-	148
Other health authorities and BC government reporting entities	-	44
Patients, clients and agencies	-	3
Ministry of Health	-	1
Other	19	83
	$ 33,531	$ 58,961

4. Accounts payable and accrued liabilities:

	2013	2012
Trade accounts payable and accrued liabilities	$ 6,058	$ 7,349
Accrued Mental Health Plan costs (note 12)	1,753	12,308
Salaries and benefits payable	129	1,917
Accrued vacation pay	46	1,478
Patient trust funds	-	36
	$ 7,986	$ 23,088

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from various non-government grantors, such as foundations, pharmaceutical companies and other donors for various research projects in the fields of treatment, clinical trials, and other special purpose initiatives.

	2013	2012
Deferred research and designated contributions, beginning of year	$ 254	$ 221
Contributions received during the year	54	518
Transfer of research and special purpose projects to Forensic Psychiatric Services Commission	(75)	-
Amounts recognized as revenue in the year	(247)	(525)
Amounts to be received in future periods	14	40
Deferred research and designated contributions, end of year	$ -	$ 254

6. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the collective agreements or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Sick leave benefits that accumulate but do not vest are included in the sick leave benefits balance.

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2015.

6. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	March 31, 2013	March 31, 2012 (Restated – note 16)	April 1, 2011 (Restated – note 16)
Accrued benefit obligation:			
Sick leave benefits	$ 6	$ 39	$ 88
Severance benefits	84	776	1,339
	90	815	1,427
Balance of unamortized amounts	117	59	-
Accrued benefit obligation	$ 207	$ 874	$ 1,427

The accrued retirement benefit obligation reported on the statement of financial position is as follows:

	2013	2012 (Restated – note 16)
Accrued benefit obligation:		
Balance, beginning of year	$ 874	$ 1,427
Current service cost	1	1
Amortization of actuarial gain	(6)	-
Interest expense	6	8
Net benefit expense	1	9
Benefits paid	(668)	(562)
Accrued benefit obligation, end of year	$ 207	$ 874

During the years ended March 31, 2013 and 2012 under the Lower Mainland Consolidation and Health Shared Services BC initiatives, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authorities.

6. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	March 31, 2013	March 31, 2012 (Restated – note 16)	April 1, 2011 (Restated – note 16)
Accrued benefit obligation:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Benefit costs:			
Discount rate	4.44%	5.01%	6.25%
Rate of compensation increase	2.50%	2.50%	2.50%

(b) BC Public Service Long Term Disability Plan:

The BC Public Service administers the Long Term Disability Plan (the "Plan") for the former employees of the Branch and other provincially-funded organizations. The Plan is a multiple-employer plan with the Branch's assets and liabilities for these long-term disability benefits segregated.

At March 31, 2012, the Branch assumed financial responsibility of the Plan for the employees of the Branch and accordingly the net liability is reflected in these consolidated financial statements as of the transfer date.

The Branch's March 31, 2013 asset is based on an actuarial valuation using an early measurement date of September 30, 2012. The next required valuation will be as of September 30, 2013.

The assets of the Plan are valued at market and consist of direct ownership in units of pooled investment portfolios managed by the British Columbia Investment Management Corporation.

The period of amortization is equal to the expected average remaining service lifetime of active employees.

6. Employee benefits (continued):

(b) BC Public Service Long Term Disability Plan (continued):

Information about the BC Public Service Long Term Disability Plan is as follows:

	2013	2012
Accrued long-term disability obligation (asset)	$ 10,463	$ 12,968
Fair value of plan assets	(107)	(1,189)
Net obligation (asset) as of valuation date, September 30, 2012 and December 31, 2011	10,356	11,779
Contributions to the plan from valuation date up to end of year (October 2012 – March 2013, January – March 2012)	(11,587)	(249)
Accrued long-term disability obligation (asset)	$ (1,231)	$ 11,530

Accrued long-term disability obligation (asset) reported on the statement of financial position is as follows:

	2013
Accrued long-term disability obligation (asset):	
Balance, beginning of year	$ 11,530
Long-term disability expense	1,483
Contributions to other employee benefit plans	512
Actuarial gain	(3,094)
Administration expense	57
Expected return on assets	305
Net benefit (income) expense	(737)
Contributions to the plan	(12,024)
Accrued long-term obligation (asset), end of year	$ (1,231)

6. Employee benefits (continued):

(b) BC Public Service Long Term Disability Plan (continued):

Plan assets consist of:

	2013	2012
Debt securities	39%	38%
Foreign equities	40	41
Equity securities and other	21	21
	100%	100%

The significant actuarial assumptions adopted in measuring the accrued long-term disability obligation (asset) are as follows:

	2013	2012
Accrued benefit obligation (asset):		
Discount rate	6.00%	6.00%
Rate of benefit increase	2.00%	2.00%
Benefit cost:		
Discount rate	6.00%	6.00%
Rate of benefit increase	2.00%	2.00%

(c) Employee pension benefits:

The Branch and its employees contribute to the Public Service Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Public Service Pension Plan of $364 (2012 - $1,924) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2011 indicated an unfunded liability of $275,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 56,000 active members, of which 80 are employees of the Branch (2012 – 419). The next required valuation will be as at March 31, 2014, with results available in 2015.

7. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2013	2012
Deferred capital contributions, beginning of year	$ 169	$ 1,124
Capital contributions received:		
Other	-	11
	-	11
Amortization for the year	-	(397)
Transfer of unamortized deferred capital contributions	(169)	(569)
Deferred capital contributions, end of year	$ -	$ 169

The Branch does not have unspent capital contributions.

8. Tangible capital assets:

Cost	March 31, 2012	Additions	Disposals	Transfers	March 31, 2013
Equipment and information systems	$ 12,291	$ -	$ (11,747)	$ (544)	$ -
Leasehold improvements	1,279	-	(1,279)	-	-
Software licenses	34	-	-	(34)	-
Vehicles	18	-	-	(18)	-
	$ 13,622	$ -	$ (13,026)	$ (596)	$ -

Accumulated amortization	March 31, 2012	Amortization	Disposals	Transfers	March 31, 2013
Equipment and information systems	$ 12,132	$ -	$ (11,747)	$ (385)	$ -
Leasehold improvements	1,279	-	(1,279)	-	-
Software licenses	33	-	-	(33)	-
Vehicles	9	-	-	(9)	-
	$ 13,453	$ -	$ (13,026)	$ (427)	$ -

8. Tangible capital assets (continued):

Cost	April 1, 2011	Additions	Disposals	Transfers	March 31, 2012
Equipment and information systems	$ 15,214	$ 11	$ -	$ (2,934)	$ 12,291
Leasehold improvements	1,872	-	-	(593)	1,279
Software licenses	34	-	-	-	34
Vehicles	167	-	(149)	-	18
	$ 17,287	$ 11	$ (149)	$ (3,527)	$ 13,622

Accumulated amortization	April 1, 2011	Amortization	Disposals	Transfers	March 31, 2012
Equipment and information systems	$ 14,211	$ 357	$ -	$ (2,436)	$ 12,132
Leasehold improvements	1,753	41	-	(515)	1,279
Software licenses	32	1	-	-	33
Vehicles	158	-	(149)	-	9
	$ 16,154	$ 399	$ (149)	$ (2,951)	$ 13,453

Net book value	2013	2012
Equipment and information systems	$ -	$ 159
Leasehold improvements	-	-
Software licenses	-	1
Vehicles	-	9
	$ -	$ 169

Tangible capital assets are funded as follows:

	2013	2012
Deferred capital contributions	$ -	$ 169
Internally funded	-	-
Tangible capital assets	$ -	$ 169

9. Inventories held for use:

	2013	2012
Pharmaceuticals	$ -	$ 119
Medical supplies	-	2
	$ -	$ 121

10. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2014	$ 2
	$ 2

(b) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2013, management is of the opinion that the Branch has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

11. Statement of operations:

(a) Other revenues:

	2013	2012
Recoveries from sales of goods and services	$ 63	$ 241
Recoveries from other health authorities and BC government reporting entities	-	599
Other	54	10
	$ 117	$ 850

(b) Other contributions:

	2013	2012
Other ministries	$ -	$ 69
Other	26	3
	$ 26	$ 72

11. Statement of operations (continued):

(c) The following is a summary of expenses by object:

	2013	2012 (Restated – note 16)
Equipment and building services:		
Rent	$ 3,370	$ 7,729
Building and ground service contracts	485	5,876
Equipment	373	540
	4,228	14,145
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	2,264	5,815
Private contractors	952	4,356
	3,216	10,171
Sundry:		
Professional fees	1,797	1,339
Travel	65	116
Communication and data processing	11	21
Other	1,032	1,193
	2,905	2,669
Compensation and benefits (note 12)	1,853	45,159
Research and designated expenses	247	525
Supplies:		
Drugs and medical gases	95	516
Food and dietary	54	545
Printing, stationery and office	29	107
Medical and surgical	2	56
Laundry and linen	2	22
Diagnostic	-	49
Housekeeping	-	11
Other supplies	14	157
	196	1,463
Amortization of tangible capital assets (note 8)	-	399
Loss on disposal of tangible capital assets	-	7
	$ 12,645	$ 74,538

12. Compensation and benefits:

The Branch is in the process of implementing the Mental Health Plan approved by the Ministry. The purpose of the Plan is to decentralize mental health care services throughout British Columbia. The Plan culminated in cessation of the operations of the Branch during the year ended March 31, 2013. Plan costs consist of severance, benefits and related expenses.

In the prior year, the financial statements included accruals for the compensation, benefits and employment security expenses of $12,307. As at March 31, 2013, management has revised the estimated accrual to account for the reduction in the number of eligible employees, which resulted in a decrease in the accrual of $4,062. During the year, $6,492 was paid out as severance, benefits and related expenses. The total remaining accrual of $1,753 is recorded in accrued Mental Health Plan costs. These amounts represent management's best estimate of the expenses required to implement the plan. However, other expenses may be incurred and recorded in future years as the plan is implemented.

13. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2013	2012 (Restated - note 16)
Accounts receivable	$ 25,430	$ 6,079
Accounts payable and accrued liabilities	(15,102)	(6,025)
Deferred research and designated contributions	(254)	33
Inventories held for use	121	151
Prepaid expenses	3,038	(522)
	$ 13,233	$ (284)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2013	2012
Transfer of tangible capital assets (note 8)	$ (169)	$ (569)

13. Supplementary cash flow information (continued):

(c) Supplementary information:

	2013	2012
Non-cash transactions:		
Assumption of BC Public Service Long Term Disability Plan liability and related amount receivable	$ -	$ 11,530

14. Related entities:

(a) Foundations and auxiliaries:

The Branch has economic relationships with the British Columbia Mental Health Foundation (the "Foundation") which is responsible for fundraising activities of the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* and is a registered charity under the provisions of the *Income Tax Act* of Canada. The net assets and results from operations of the Foundation are not included in the financial statements of the Branch.

At March 31, 2013, the Foundation held net assets of $950 (2012 - $934) to be used for patient care, education, and capital expenditures at the Branch.

During 2013 and 2012, the Branch did not receive contributions from the Foundation.

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with the other PHSA members listed in note 1:

For the year ended March 31, 2013, expenses include $1,159 (2012 - $877) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

15. Risk management:

The Branch is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Branch's financial instruments is provided below by type of risk.

Risk management and insurance services for all Health Authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

(i) Credit risk

Credit risk primarily arises from the Branch's cash and cash equivalents and accounts receivable. The risk exposure is limited to their amounts at the date of the statement of financial position.

The Branch manages credit risk by holding balances of cash and cash equivalents with reputable top-rated financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other Health Authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Branch periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts.

The Branch's accounts receivable are mainly from PHSA and, accordingly, are not exposed to significant credit risk.

(ii) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due.

The Branch receives its principal source of capital through funding received from the Ministry. The Branch defines capital to be accumulated operating surplus and deferred capital contributions.

The Branch's objective when managing capital is to fund its operations and tangible capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry.

The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Branch has complied with the external restrictions on the funding provided.

15. Risk management (continued):

(ii) Liquidity risk (continued):

Substantially all financial assets and financial liabilities of the Branch have maturity on demand.

16. Adoption of new financial reporting framework:

Effective April 1, 2012, the Branch adopted the framework described in note 1(a). These financial statements are the first financial statements for which the Branch has applied the framework. Previously, the Branch's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Part V Canadian GAAP").

The accounting policies disclosed in note 1 of these financial statements have been applied consistently in preparing the financial statements as at and for the year ended March 31, 2013, the comparative information as at and for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011, the Branch's transition date, with the exception of exemptions on the first time adoption of PSAS described below and the adoption of PS 3450, *Financial Instruments*. According to the transitional provisions of PS 3450 for the first time adopters of PSAS, requirements of PS 3450 were applied as at April 1, 2012 prospectively, without restatement of comparative periods.

The impact of the adoption of the framework on accumulated operating surplus at the date of transition and comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the following exemptions from retroactive application on the first time adoption.

(a) Transition date exemptions:

Optional exemptions:

PS 2125, *First Time Adoption by Government Organizations* allows first time adopters certain optional exemptions from full retrospective application of PSAS. Application of certain first time adoption exemptions was directed by the Treasury Board and the OCG (note 1(a)). The Branch applied the following exemptions as at April 1, 2011, its date of transition to the framework:

(i) Retirement and post-employment benefits – change in discount rate applied:

The Branch has elected not to use the exemption and applied the requirements of PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011.

Adjustment was reflected in restructuring accrual, included in accounts payable and accrued liabilities.

16. Adoption of new financial reporting framework (continued):

(a) Transition date exemptions (continued):

(ii) Retirement and post-employment benefits – cumulative unamortized gains and losses on transition:

The Branch has elected to recognize all cumulative actuarial gains and losses at the date of transition directly to accumulated operating surplus. This election has been applied to all plans.

(iii) Business combinations:

The Branch has elected to apply the election under PS 2125. Therefore, the Branch has not restated any business combinations before the transition date to be in compliance with section PS 2510, *Business Combinations*.

(iv) Tangible capital asset impairment:

The Branch has elected to apply the exemption under PS 2125, which exempts the Branch from retroactively reviewing for write-downs of tangible capital assets prior to the date of transition.

Mandatory exemptions:

The Branch has not revised estimates previously made under Part V Canadian GAAP, except for adjustments required to reflect any difference in accounting policies or calculations. Hindsight is not used to create or revise estimates.

(b) Transitional adjustments to new accounting framework:

Key adjustments to the Branch's financial statements resulting from the adoption of the framework are as follows:

(i) Retirement and post-employment benefits – accrual of non-vesting sick leave benefits:

Previously, the Branch was not required to record an accrued benefit obligation related to sick leave benefits when such benefits do not vest. The framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Branch in return for the benefits. An adjustment was made to recognize a liability related to accumulated sick leave entitlement.

Adjustment was reflected in restructuring accrual, included in accounts payable and accrued liabilities.

16. Adoption of new financial reporting framework (continued):

(b) Transitional adjustments to new accounting framework (continued):

(ii) Retirement and post-employment benefits – amortization of actuarial gains and losses:

Under Part V Canadian GAAP, the Branch used the "corridor" method of amortization of actuarial gains and losses, under which such gains or losses in excess of 10% of the greater of net plan assets or liabilities at the beginning of the period were deferred and amortized over the expected average remaining service lifetime of active employees.

Under PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*, the Branch defers and amortizes any amount of actuarial gains and losses on retirement benefit plans, as such benefits are not event driven. On event-driven employee benefits (long-term disability benefits), the Branch elected to recognize the actuarial gains and losses when they arise.

Adjustment was reflected in restructuring accrual, included in accounts payable and accrued liabilities.

(iii) Deferred research and designated contributions:

Certain balances previously reported in the deferred research and designated contributions did not meet the definition of a liability under PS 3200, *Liabilities*. Amounts were restated to recognize revenue in periods in which revenue recognition criteria were met.

16. Adoption of new financial reporting framework (continued):

(c) Reconciliation of statements of financial position, operations and cash flows, and accumulated operating surplus as previously reported under Part V Canadian GAAP to new financial reporting framework

Key adjustments to the Branch's financial statements resulting from the adoption of the framework are as follows:

(i) Statements of financial position:

March 31, 2012	Note	Part V Canadian GAAP, as previously reported	Prior year adjustment	Transition adjustment	New accounting framework
Liabilities					
Accounts payable and accrued liabilities	(a)(i) (b)(i)-(ii)	$ 21,036	$ 1,800	$ 252	$ 23,088
Deferred research and designated contributions	(b)(iii)	316	(62)	-	254
Retirement allowance	(a)(i)-(ii) (b)(i)-(ii)	2,926	(1,800)	(252)	874

April 1, 2011	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Liabilities				
Accounts payable and accrued liabilities	(a)(i) (b)(i)	$ 27,313	$ 1,800	$ 29,113
Deferred research and designated contributions	(b)(iii)	283	(62)	221
Retirement allowance	(a)(i)-(ii) (b)(i)	3,227	(1,800)	1,427

16. Adoption of new financial reporting framework (continued):

(ii) Statement of operations:

The framework requires presentation of expenses by functions. Accordingly, the Branch presents expenses by sectors of health care. The following is a reconciliation of previously reported expenses to presentation of expenses by functions.

2012	Part V Canadian GAAP, as previously reported	Mental health & substance use	Corporate	Total (restated)
Compensation and benefits	$ 45,159	$ 45,158	$ 1	$ 45,159
Equipment and building services	14,145	14,145	-	14,145
Referred-out and contracted services	10,171	10,171	-	10,171
Sundry	2,669	2,669	-	2,669
Supplies	1,463	1,463	-	1,463
Research and designated expenses	525	525	-	525
Amortization of tangible capital assets	399	399	-	399
Loss on disposal of tangible capital assets	7	7	-	7
	$ 74,538	$ 74,537	$ 1	$ 74,538

(iii) Statement of cash flows:

2012	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Retirement allowance expense	(a)(i) (b)(i)-(ii)	$ 261	$ (252)	$ 9
Net change in non-cash operating items	(a)(i) (b)(i)-(iii)	(536)	252	(284)

16. Adoption of new financial reporting framework (continued):

(iii) Statement of cash flows (continued):

The adoption of the framework has had no impact on the net cash flows of the Branch. The framework requires separate presentation of cash flows from transactions with tangible capital assets, which were previously presented as part of investing activities.

(iv) Accumulated operating surplus

	Note	March 31, 2012	April 1, 2011
Accumulated operating surplus, as previously reported		$ 27,312	$ 26,371
Effect of release of deferred research and designated contributions that do not meet the definition of a liability	(b)(iii)	62	62
Accumulated operating surplus, as restated		$ 27,374	$ 26,433

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

18. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Restricted Contributions Regulation 198/2011 requires the Branch to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

18. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011: (continued):

The impact of the departure from PSAS on the financial statements of the Branch is as follows:

As at April 1, 2011		
Increase in accumulated operating surplus	$	1,124
Decrease in deferred capital contributions		(1,124)
For the year ended March 31, 2012		
Increase in operating surplus		397
As at March 31, 2012		
Increase in accumulated operating surplus		169
Decrease in deferred capital contributions		(169)
For the year ended March 31, 2013		
Increase in operating surplus		-
As at March 31, 2013		
Increase in accumulated operating surplus		-
Decrease in deferred capital contributions		-